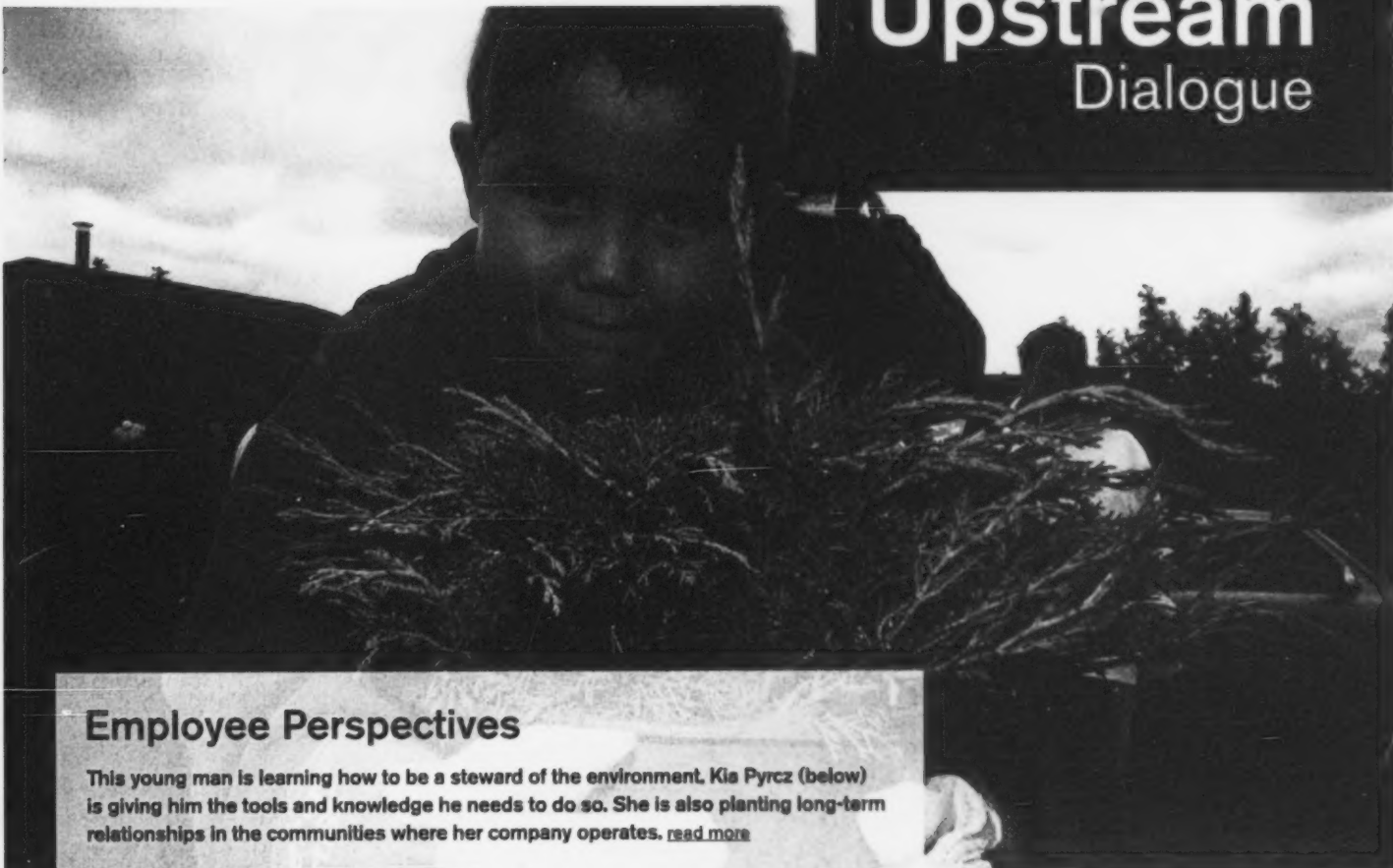


# Upstream Dialogue



## Employee Perspectives

This young man is learning how to be a steward of the environment. Kia Pyrcz (below) is giving him the tools and knowledge he needs to do so. She is also planting long-term relationships in the communities where her company operates. [read more](#)



## Inside:

**Industry in the News** [read more](#)

### Stewardship

Read about how CAPP is evolving and improving its Stewardship program. [read more](#)

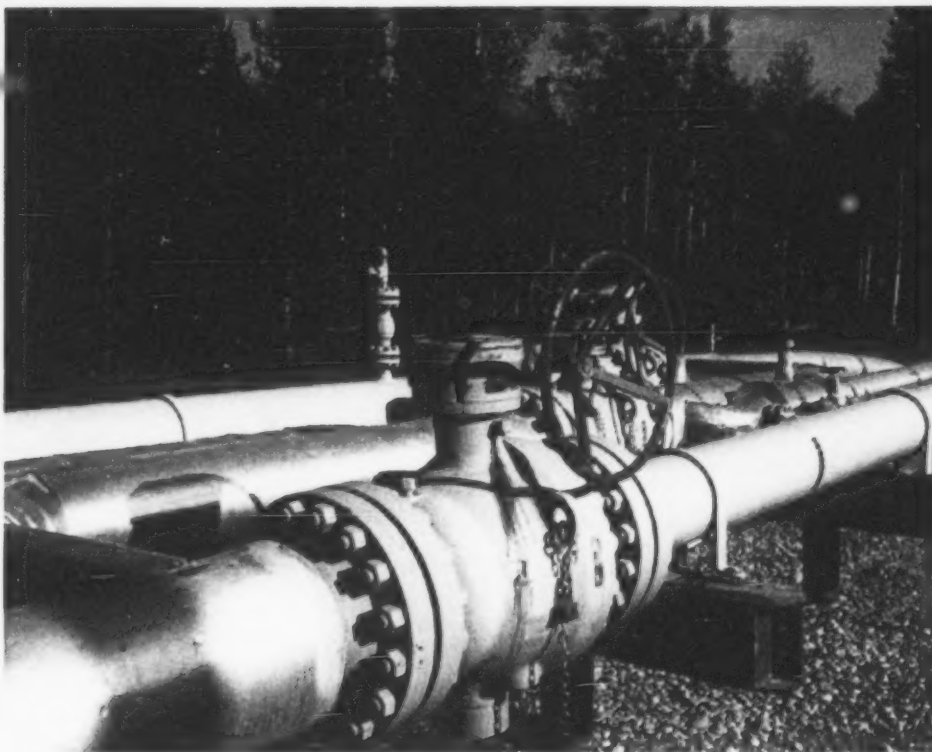
### Employee Perspectives

Learn how Kia Pyrcz of Vermilion Energy is "sowing" the benefits of community investment through CAPP's Energy in Action program. [read more](#)

### Innovation and Technology

Learn how Compton Petroleum is rescuing fescue and reducing the environmental impact of their drilling operation. [read more](#)

**Industry Practice and Regulations** [read more](#)



## Industry In the News

### Natural gas: A sustainable energy future

June 18, 2009 – CAPP and the U.S.-based Natural Gas Supply Association (NGSA) issued a joint statement highlighting the importance of natural gas as both a low-carbon energy source and a long-term fuel for North America's secure energy future.

The release coincides with a recent report released by the Potential Gas Committee, a U.S. nonprofit organization. The report indicates the U.S. has approximately 2,000 trillion cubic feet of recoverable natural gas still in the ground – a nearly 60 per cent increase from estimates released four years ago.

- Read the [CAPP/NGSA joint statement](#)
- Read the [Potential Gas Committee News Release](#)

### U.S. report on the oil sands

May 21, 2009 – The U.S. Council on Foreign Relations released a special report titled *The Canadian Oil Sands: Energy Security vs. Climate Change*.

The report, written by Michael A. Levi, reviews the environmental impacts of oil sands production and weighs them against the energy security benefits of a supply of oil from a friendly and stable neighbor. It emphasizes that policy positions must carefully balance these considerations.

Levi's recommendations focus on policies that would provide incentives to cut the emissions generated in producing each barrel of crude from the oil sands in a way that carefully avoids directly discouraging increased production. He also puts forth recommended measures to achieve this.

- Read the [Council on Foreign Relations' news release](#) which includes a link to the full-report.

## MYTH vs FACT

**MYTH:** The oil and gas industry in Alberta uses too much of the province's fresh water supply.

**FACT:** Water plays an important role in the recovery of Canada's resources. Government closely regulates the use of water. In Alberta, water is managed and allocated based on an estimate of the sustainable yield of this natural resource. Large water users must apply for license to divert some of this water from its original source.

The oil and gas industry is allocated, or allowed to use, 8 per cent of the total amount of licensed water in Alberta (see chart below). Not all of the allocated water is actually used. The oil and gas industry uses only about one third of their allocation every year.

Industry continues to make significant progress in reducing its use of fresh water through alternatives such as saline water (water that is not suitable for drinking or agriculture), and CO<sub>2</sub> injection to enhance oil recovery, as well as recycling.

- Learn more about how the Alberta Government [manages water use in the province](#)
- Read more about how the upstream oil and gas industry is working to [reduce water use](#)

Total Water Allocation in Alberta 2007

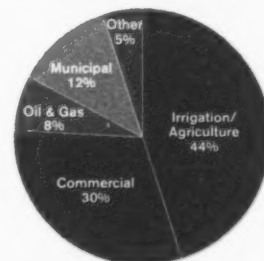




Photo Courtesy of BP Canada Energy Company

## Updated Vision & Principles

We will conduct our business activities in a safe and sustainable manner, balancing social, economic and environmental considerations.

We will hold each other accountable and measure ourselves against the following principles:

- ▶ Provide a safe and healthy workplace for our employees, contractors and for the communities in which we work, with a goal to do no harm.
- ▶ Conduct our activities in an environmentally responsible manner
- ▶ Engage our stakeholders in open and responsive communications
- ▶ Create opportunities for economic and social benefits in the communities in which we operate, at a local and national level
- ▶ Conduct our business activities with integrity, ensuring all people are treated with dignity, fairness and respect.

## Stewardship

# Evolving stewardship

CAPP's Stewardship initiative was created in 1996 to foster continuous improvement in our industry's environmental, health and safety, and social performance. Evidence of the program's success can be seen in the benchmarking data published in CAPP's annual Stewardship reports, as well as through the individual projects which we recognize through the Steward of Excellence Awards.

However, Canadians are seeking ever greater performance from industry since the Stewardship program was created. "The expectations of our stakeholders have evolved, and we must evolve to meet them," said Tom Huffaker, CAPP Vice President, Policy and Environment. "To meet this challenge, we are currently redesigning the Stewardship initiative to ensure that the program remains effective for driving the continuous performance improvement that will satisfy both our stakeholders' and our industry's high expectations."

Under the direction of CAPP's CEO Stewardship Task Group, the first element of the redesign – revision of the Stewardship Vision & Principles – has been completed and approved by the Board of Governors. (see sidebar)

"Through Stewardship, we have a proven track record of significant improvements in environmental, health & safety, and social performance," said Huffaker. "The redesign of Stewardship will support our continued progress in demonstrating leadership on the issues that are important to Canadians."

- ▶ Learn more about [CAPP's current Stewardship program](#)



## Employee Perspectives

# Planting long-term relationships

Name: Kia Pyrcz

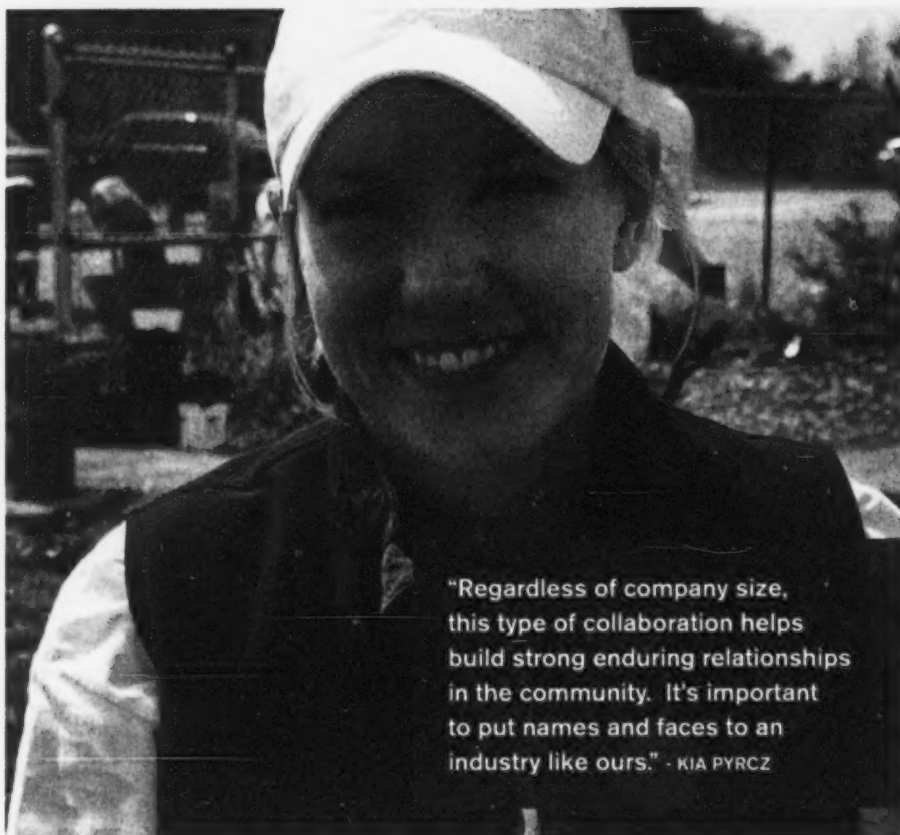
Title: Community Investment and Internal Communications Advisor

Company: Vermilion Energy

Years of Experience: Four

Location: Calgary, Alberta

**Best part of the job:** "Working with members of the community, especially those from the not-for-profit sector, and a corporate culture that values community involvement. The variety that comes with working for a company with international operations. Having access to an executive team that knows me by name and considers my input."



"Regardless of company size, this type of collaboration helps build strong enduring relationships in the community. It's important to put names and faces to an industry like ours." - KIA PYRCZ

In days gone by business was done within small communities. Most deals were closed with a handshake. Grassroots relationships meant something.

Now, business is bigger, technology has advanced and it is difficult for companies to maintain ground-level, human connections, especially in rural communities. Despite this, it has become more important than ever to build trust and develop solid, long-term relationships within the communities in which we operate. Many companies are getting back to basics and even getting their hands dirty along the way.

When Kia Pyrcz conducts business in the village of Delburne, she's no longer a stranger. For two years running, Kia has led a team of energy company volunteers that have taken part in CAPP's Energy in Action program in two Alberta communities where Vermilion has operations – Delburne and Niton Junction. The experience has helped her and locally-

based employees understand the needs of areas and forge stronger bonds with the people who live there.

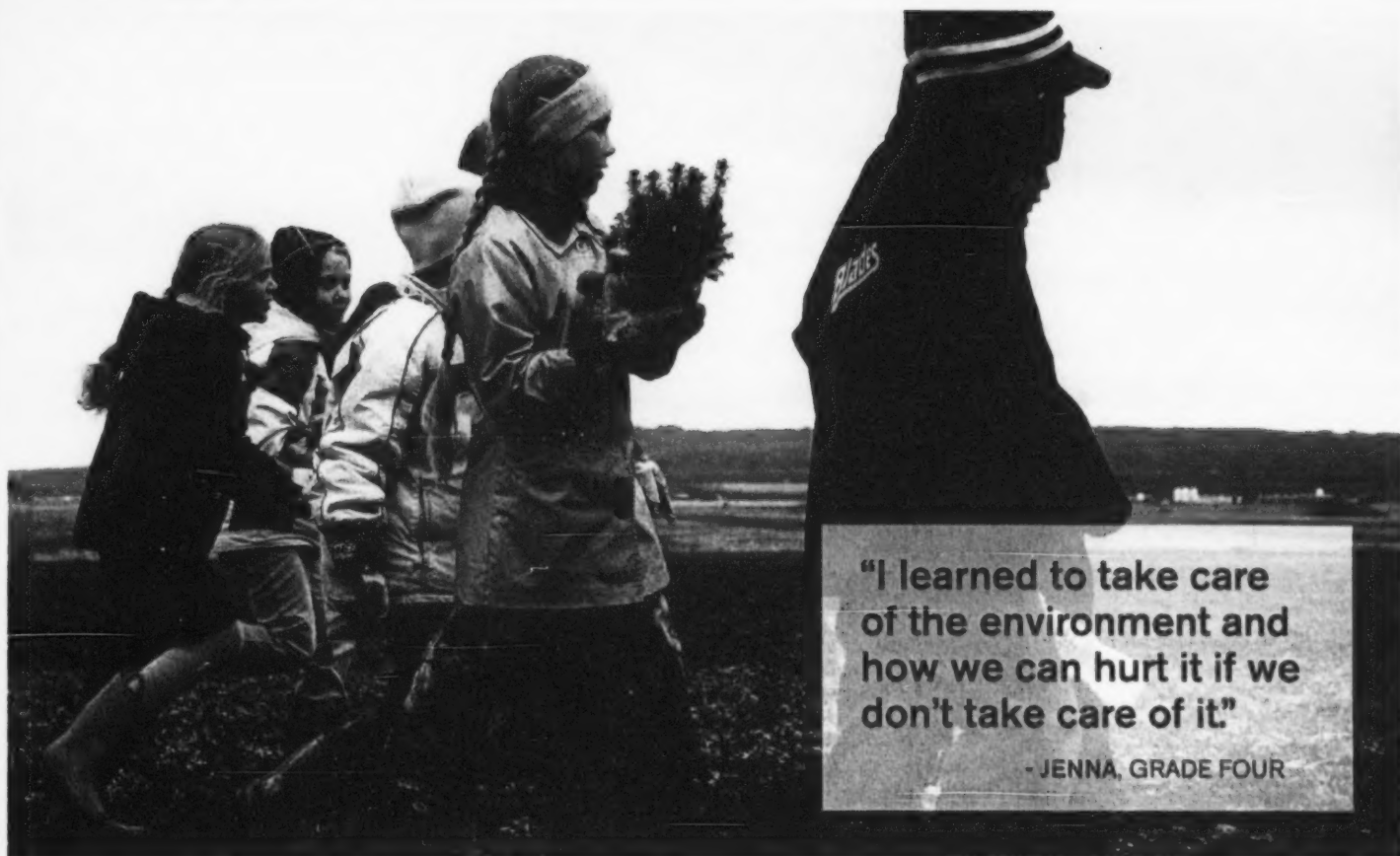
The Energy in Action program focuses on educating elementary children about Stewardship and the oil and gas industry, which augments their science and social studies curriculum. The program travels to approximately a dozen rural schools across Canada every May. Students at each school learn about energy development and environmental stewardship. They also roll up their sleeves and get their hands dirty working on projects in their school yards or communities, such as planting trees, shrubs, and flowers. The Energy in Action program uses local resources as much as possible for the events. Several organizations get involved in developing the program curriculum and garden projects including Inside Education, the YWCA, the Alberta Conservation Association, and the Calgary Zoo.

Rural schools are often the most in need of resources and programming and typically welcome the Energy in Action teams with open arms. "The students and teachers take pride in and ownership of the initiative, which is key to the long-term success of the environmental projects," said Kia.

Each initiative is tailor-made to the specific needs of the school and the community. Kia explains that this is the most successful aspect of the program. She works closely with principals, teachers, and community groups to determine what is most needed. "Last year in Delburne the principal wanted a wind break to shelter the kids from the cold during the winter months. So we helped the kids plant 100 trees along the perimeter of the school yard. This year in Alberta's Niton Junction, the group wanted to create an outdoor space place that would help students understand that, by being stewards of the environment, the Earth can reap many rewards. (story continued on next page)







**"I learned to take care  
of the environment and  
how we can hurt it if we  
don't take care of it"**

**- JENNA, GRADE FOUR**

(continued from page four)

"So we helped them create a garden oasis complete with herb, vegetable, and butterfly gardens, perennial flower beds, and a pumpkin patch," added Kia.

On event day everyone lends a hand. It is not uncommon for locals to pitch in. At this year's Niton Junction event, several volunteers came the Saturday before to install a limestone pathway that helps define the garden and also makes it accessible to students in wheelchairs. "There is a lot of informal networking, problem solving, and information sharing that goes on to make these events happen," says Kia.

So how does all of this relate back to business? Kia explains that although the cost of company participation is low, the return on investment is high. "Projects like Energy in Action are an especially great opportunity for smaller industry

players like Vermilion to educate the community on our local operations and our commitment to responsible resource development. Regardless of company size, this type of collaboration helps build strong enduring relationships in the community. It's important to put names and faces to an industry like ours."

Since last year's event in Delburne, Vermilion has developed more open lines of communication and stronger relationships with village residents and village council. Kia helped host an open house there last winter and was able to greet several of the attendees by name. Many residents were very excited to see their children in pictures of the Energy in Action event that were on display. "It is great being able to show people that we really are part of the community."

Watch a video to learn more  
about Energy in Action



## Energy in Action

Energy in Action is a community-based event that brings school children together with local volunteers from energy companies to participate in education sessions and environmental rehaul projects. Here are some facts about the program:

- ▶ Since 2004, 51 companies and more than 1,350 company volunteers have participated in Energy in Action events.
- ▶ Participants have planted almost 4,000 trees and shrubs in 46 communities across Canada.
- ▶ Approximately 4,000 students, teachers and community residents have learned about the petroleum industry and the benefits of careful resource development through Energy in Action curriculum.

Learn how your company can get involved in **Energy in Action 2010**





Photo Courtesy of Compton Petroleum

## Innovation and Technology

# Rescue the fescue

Southern Alberta's Foothills are an area of increasing development. The region has experienced growth in residential development, agriculture and ranching, and industrial projects including oil and gas, mining, renewable energy, and forestry.

Landowners and industry believe it is important to minimize the environmental footprint that oil & gas development operations can have on grasslands native to the area, mostly rough fescue. Despite the need to maintain the natural landscape, rough fescue grass has proven to be extremely difficult to preserve and restore...until now.

Compton Petroleum is a Canadian company that has mineral holdings in the southern foothills. With plans to drill and produce sweet gas on these lands, Compton has worked for the last several years with rangeland experts and researchers to identify solutions for preserving and reclaiming the land and fescue grass. Their findings are promising.

Traditional methods, such as seeding, have proven to be unsuccessful in re-establishing growth. However, Compton discovered that by using rough fescue plugs [► sidebar] grasslands could potentially be reclaimed.

In 2008 Compton planted 30,000 rough fescue plugs at two test sites west of Nanton, Alberta. The results were compelling, with more than 90 per cent of the plants surviving. As the plants continue to grow outward, a natural plant community will be established and the ecosystem will be restored. The study could significantly improve future land reclamation, not only in the oil and gas industry but in any instance where land needs to be reclaimed.

Further research is underway to determine even more potential benefits of the program, which includes utilizing the natural attributes of rough fescue for water retention and carbon sequestration.

- Learn more about [Compton's work with rough fescue](#)
- Read Western Wheel article, [Partnership saving grassland](#), August 6, 2008

## ► Rough Fescue Plugs

Rough fescue plugs are fescue plants that have already partially been established. They are being used to successfully reclaim land disturbed by oil and gas well sites.



## Oil Sands Mining: From Birth to Rebirth

For another example of how land affected by industry is successfully reclaimed, watch an animation showing a time lapse of the current reclamation process in the boreal forest area.

Watch the animation





## Industry Practice and Regulations

# Royalty incentives and competitiveness review

On June 25, 2009 the Alberta government announced an extension to the current short-term royalty incentives and a commitment to completing a longer-term provincial competitiveness review.

Specifically, government announced a one-year extension to the two royalty incentive programs:

- The \$200/metre royalty credit - based on sliding scale for production level; and,
- The new well incentive program (5 per cent maximum royalty for the first year of production from new oil/gas wells).

Both programs will now expire on March 31, 2011 rather than the previous expiry date of March 31, 2010. The overall review

of provincial competitiveness will be completed this Fall and will include consultation with industry.

Alberta has seen tremendous economic changes over the last year, including changing supply dynamics for natural gas in the North American market, loss of access to credit and capital, and falling commodity prices. This has resulted in some very tough times for this industry and for Albertans.

CAPP sees these recent announcements as very positive and will continue to work with government over the next several months on the development of fiscal and regulatory policy that gets Albertans to work and encourages investor confidence in Alberta's oil and gas industry over the long-term.

► Read the [Alberta Government news release](#)

## U.S. Waxman-Markey climate change legislation update

On June 26, 2009 the U.S. House of Representatives passed the Waxman-Markey climate change and energy bill by a vote of 219 to 212.

Some key provisions include:

- Targets 17 per cent reduction in GHGs in 2020 over 2005.
- 85 per cent of allowances will be allocated gratis rather than auctioned.
- There will be extensive agricultural, forestry and other offsets.
- Low Carbon Fuel Standard provisions were taken out of the bill.
- Carbon Border Adjustments remain in the bill which would have the effect of penalizing imports from countries that do not have climate change policies similar to the U.S.

The U.S. Senate will commence its deliberations on climate change policy in September. The U.S. government remains publicly committed to its ambitious objective of finalizing climate change legislation in advance of the United Nations Climate Change Conference in Copenhagen in December 2009.

It is important for U.S. and Canadian climate change policy to be compatible because the U.S. will have a strong influence on international climate change negotiations and is a major market for Canadian production.

CAPP continues to engage with the federal and provincial governments in the development of Canadian climate change policy leading up to the international meetings in Copenhagen.

► Learn more about the [U.S. Waxman-Markey Climate Change Legislation](#)

► Read more about the [United Nations Climate Change Conference](#)



## Aboriginal Recognition and Reconciliation Act – British Columbia

In an effort to improve relationships between government and First Nations, the Government of British Columbia has indicated its intention to introduce new legislation later this year. Resource extraction and development industries will be affected because the legislation will address how government will meet its duty to consult with Aboriginal communities. This will include consultation on land use issues.

The legislation is an opportunity for government to find a balance between supporting the needs of First Nations, ensuring industry's ability to operate in a competitive environment, and continuing to encourage the economic activity that benefits all British Columbians. CAPP is working with key parties to ensure industry's needs and interests are reflected in the final legislation, particularly ensuring that consultation requirements are more consistent and predictable under the new act.

## Species at Risk Act

The Government of Canada enacted the Species at Risk Act (SARA) in 2002. The purpose of the legislation is to provide for the protection and recovery of endangered animal and plant species. This legislation directly affects all land-based economic activities, including oil and gas operations.

As mandated in the Act, the government is undertaking a review to assess performance of the new legislation and introduce amendments to the Act as needed. CAPP members continue to support the intent of the legislation, but strongly believe that improvements are needed to make the Act function more efficiently and effectively.

In June, CAPP went before the House of Commons Standing Committee on Environment and Sustainable Development to provide views and suggestions for amendments based on industry experience with the legislation.

CAPP's key recommendations for improving SARA are:

- Provide workable regulatory compliance mechanisms. Existing mechanisms are unclear and cumbersome.

- Adopt an ecosystem or multi-species-based recovery planning approach. Focusing on individual species for recovery planning is impractical and inefficient.
- Redesign the concept and process for identifying Critical Habitat. Critical habitat identification has been fraught with difficulties and resulted in a series of legal challenges.
- Establish an effective stakeholder consultation approach across all stages of recovery planning. One transparent, collaborative consultation process is needed to improve the quality of available information and provide a cost-effective approach.

Other industry sectors are in agreement with CAPP's recommendations for SARA. The standing committee is expected to conclude its review by December 2009.

- ▶ [Review CAPP's presentation to Parliament, June 4, 2009](#)
- ▶ [Learn more about the Species at Risk Act \(SARA\)](#)





## Canadian Association of Petroleum Producers (CAPP)

The Canadian Association of Petroleum Producers (CAPP) represents 130 companies that explore for, develop and produce natural gas, natural gas liquids, crude oil, oil sands, and elemental sulphur throughout Canada. CAPP member companies produce more than 90 per cent of Canada's natural gas and crude oil. CAPP also has 150 associate members that provide a wide range of services that support the upstream crude oil and natural gas industry. Together, these members and associate members are an important part of a \$120-billion-a-year national industry that affects the livelihoods of more than half a million Canadians.

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### TELL US YOUR SUCCESS STORY

We are looking for employee  
stories to publish in our  
Employee Perspectives section.

If you know of a CAPP member company  
employee who has taken a leading role  
in an innovative company project, they  
may be eligible for feature in Upstream  
Dialogue. Please submit a brief bio, any  
existing published stories, and appropriate  
contact details about the employee to  
[communication@capp.ca](mailto:communication@capp.ca).

### FEEDBACK

Your feedback, questions and/or  
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